

CITY OF LANSING
JOINT POLICE & FIRE RETIREMENT SYSTEM
and
EMPLOYEES' RETIREMENT SYSTEM
BOARD MEETING MINUTES

Joint Meeting
Council Conference Room
10th Floor City Hall
Lansing, MI

February 17, 2015
Tuesday, 9:00 a.m.

The meeting was called to order at 9:02 a.m. The Retirement Board met jointly with the City Council Ways and Means Committee to hear the actuarial valuation presentation from Boomershine Consulting Group.

A quorum of the both the Police and Fire Retirement System Board and the Employees' Retirement System Board were present.

Trustees present: (ERS), Dedic (9:18), Kraus, Munroe, McCaffery, D. Parker (9:18), M. Parker, Wood –7.

(Police & Fire), Fabus, Kraus, Oleson, St. Aubin, Wohlfert, Wood – 6.

City Council Way and Means Committee: Councilwoman Carol Wood, Councilwoman Judi Brown-Clarke - 2

Others present: Karen Williams, Angela Bennett. Finance Department; Ken Lane, Clark Hill Law Office (representing the City Attorney's Office); George Tarlas, Asset Consulting Group; Gregory Stump, Boomershine Consulting Group; Julie Pierro, UBS Investments.

Mr. Gregory Stump provided an actuarial valuation presentation for the Joint Retirement Board and the City Council Ways and Means Committee. Mr. Stump reviewed the valuation data for the period ending December 2013. He explained that contributions were still rising, but will not rise as steep as the previous period.

Mr. Stump discussed that Joint Boards' return assumption of 7.6% and the recent market gains have improved the outlook. Mr. Stump summarized that that funding improvement was expected for both system, and that the unfunded liability was expected to be significant for the future. Mr. Stump also provided an overview of the historical funding process and contributions and provided projections, based upon different scenarios.

The City Council Ways and Means Committee adjourned their meeting at 9:49 a.m.

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Mr. George Tarlas distributed and reviewed the cash needs recommendation for the City of Lansing Employees' Retirement System for \$5,800,000 and the Police and Fire Retirement System Retirement Board for \$7,200,000.

It was moved by Trustee Wood and supported by Trustee Wohlfert to redeem \$3,600,000 from the Integrity portfolio and to redeem \$3,600,000 from the William Blair portfolio from the Police and Fire Retirement System Investments for quarterly cash flow needs as recommended by Asset Consulting Group.

Adopted by the following vote: 6-0

The Retirement Office recommended \$50,000 be transferred from the Northern Trust Securities Lending Accounts to the Police and Fire Retirement System Board and the Employees Retirement System administrative accounts for expenses through March 30, 2015.

It was moved by Trustee Kraus and supported by Trustee Wood to transfer \$50,000 from the Securities Lending Investment Account to Police and Fire Retirement Board administrative account for quarterly cash flow needs.

Adopted by the following vote: 6 – 0.

It was moved by Trustee Mark Parker and supported by Trustee Kraus to redeem \$2,500,000 from the Integrity portfolio and to redeem \$3,300,000 from the William Blair portfolio from the Employees' Retirement System Investments for quarterly cash flow needs as recommended by Asset Consulting Group.

Adopted by the following vote: 7 – 0.

It was moved by Trustee Mark Parker and supported by Trustee Wood to transfer \$50,000 from the Securities Lending Investment Account to Employees Retirement System Board administrative account for quarterly cash flow needs.

Adopted by the following vote: 7 – 0.

Mr. George Tarlas reviewed the TRowe Price management change. Mr. Tarlas explained that T. Rowe Price plans to transition certain portfolio record keeping and other investment operations function to BNY Mellon. BNY Mellon will service trade support, security reference and other financial reporting. Mr. Tarlas stated that change will not change the investment strategy or the investment team.

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Mr. Tarlas discussed that T. Rowe Price reviewed the Investment Management Agreement and stated that change did not require any amendments to the agreement. T. Rowe Price has requested that the City of Lansing Retirement Boards contact the Northern Trust and authorize custodian to allow BNY Mellon access to the TRowe Price accounts held by the custodian. Mr. Tarlas recommended the Board confirm their acceptance of the change.

Attorney Ken Lane reviewed the Investment Management Agreement and opined there was no need to amend the current contract with T. Rowe Price.

It was moved by Trustee Wood and supported by Trustee Wohlfert for Attorney Ken Lane to draft a confirmation notice and send by email to TRowe Price that the Police and Fire Retirement Board has accepted the change to BNY Mellon for recordkeeping and some financial reporting duties.

Adopted by the following vote: 6 – 0

It was moved by Trustee Munroe and supported by Trustee Wood for Attorney Ken Lane to draft a confirmation notice and send by email to TRowe Price that the Employees' Retirement System Board has accepted the change to BNY Mellon for recordkeeping and some financial reporting duties.

Adopted by the following: 6 – 0.

Mr. George Tarlas of Asset Consulting Group reviewed the Quarterly Performance reports for the 4th quarter of 2014. Mr. Tarlas discussed the financial performance of the Employees' Retirement System and the Police and Fire Retirement System for the period ending December 31, 2014. Mr. Tarlas reviewed the market environment and discussed the equity, fixed income and real estate investments within the financial portfolio. Mr. Tarlas reviewed the January monthly financial report/

Ms. Julie Pierro, Portfolio and Client Services for UBS Trumbull Property Fund provided a performance review of the City of Lansing Employees' Retirement System and the Police and Fire Retirement System real estate investment funds. Ms. Pierro presented an overview of investment results of the UBS Trumbull Property Fund, the investment process and a market outlook.

Mr. George Tarlas, distributed recommendations and discussed Equity Long/Short implementation for the Police and Fire Retirement System and the Employees' Retirement System.

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Asset Consulting Group recommended that the Employees' Retirement System modify its strategic allocation to 10% target of equity long/short, with a 10% decrease to the U.S large cap equity portfolio. The allocation could be achieved through the Private Advisors fund of funds strategy.

Trustee Mark Parker requested if the Employees' Retirement System could review direct investments instead of fund of funds.

Mr. Tarlas will provide direct investments for the ERS Board to review for implementing the Equity Long/Short.

Asset Consulting Group recommended that the Police and Fire Retirement Board increase its allocation of Equity Long Short to 10% of its total portfolio and decrease of 5% to the U.S large cap equity portfolio. The allocation would be achieved through providing additional funds to the current Private Advisors strategy.

It was moved by Trustee Kraus and supported by Trustee Oleson to increase the Police and Fire Retirement Board portfolio allocation from 5% to 10% to the Private Advisors strategy.

Adopted by the following vote: 6 – 0.

There were no public comments.

The meeting adjourned at 11:44 a.m.

Minutes approved on _____

Angela Bennett, Secretary

Dennis R. Parker, Chairperson
Employees' Retirement System

Brad St. Aubin, Chairperson
Police and Fire Retirement System